

Message Text

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PAGE 01 ROME 20496 172020Z
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SUBJ: LEGISLATION PROPOSED TO IMPROVE EXPORT CREDIT AND
INSURANCE PROGRAM

REF: ROME 16271

1. MINISTER OF FOREIGN TRADE OSSOLA WILL SHORTLY PROPOSE
FOR PARLIAMENTARY APPROVAL A NEW LAW MODIFYING THE OFFICIAL
EXPORT CREDIT AND INSURANCE SYSTEM. THE PURPOSE OF THE NEW LAW
IS TO SHORTEN THE TIME REQUIRED TO OBTAIN OFFICIAL EXPORT
FINANCING AND INSURANCE, O IMPROVE COVERAGE OF SHORT-TERM
EXPORT CREDITS, AND TO BROADEN THE RANGE OF TRANSACTIONS
ELIGIBLE FOR SUPPORT. IT WILL ALSO BRING ALL ITALIAN AID GRANTING
OPERATIONS TOGETHER IN MEDIOCREDITO CENTRALE, WHEREAS UP TILL
NOW SEVERAL OF THE SPECIAL CREDIT INSTITUTIONS HAVE ENGAGED
IN EXTENDING AID.

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PAGE 02 ROME 20496 172020Z

2. THE NEW LAW WOULD CENTRALIZE RESPONSIBILITY FOR EXPORT
CREDIT INSURANCE IN A SPECIAL OFFICE IN INA (ISTITUTO
NAZIONALE DELLE ASSICURAZIONI). AT PRESENT IT IS SCATTERED AMONG
SEVERAL AGENCIES. THE PROPOSED BUREAUCRATIC REORGANIZATION WOULD
SUBSTANTIALLY REDUCE THE TIME NECESSARY TO OBTAIN EXPORT CREDIT

INSURANCE, PERHAPS TO AS LITTLE AS TWO WEEKS FROM AS MUCH AS THREE TO SIX MONTHS IT TAKES NOW.

3. THE NEW SCHEME WOULD FOR THE FIRST TIME PROVIDE FOR OFFICIAL INSURANCE PROTECTION AGAINST COMMERCIAL RISKS IN SHORT-TERM EXPORT CREDIT TRANSACTIONS. (THE PRESENT LAW AUTHORIZES INA TO RE-INSURE SHORT-TERM COMMERCIAL RISKS, BUT IN PRACTICE LITTLE OF THIS TYPE OF COVERAGE HAS BEEN EXTENDED BECAUSE OF A LACK OF COORDINATION BETWEEN PRIVATE INSURANCE COMPANIES AND INA. THE PRACTICAL SIGNIFICANCE OF THE NEW PROPOSAL IS SEEN TO BE THE EXTENSION OF COMMERCIAL RISK COVERAGE NOT ONLY TO SHORT-TERM CREDITS BUT ALSO TO EXPAND COVERAGE OF MEDIUM-TERM TRANSACTIONS.) IN ADDITION, THE NEW LAW WOULD ESTABLISH A SPECIAL CEILING AT THE LEVEL OF 5,000 BILLION LIRE FOR SHORT-TERM RISK COVERAGE. IT IS FORESEEN THAT THIS LEVEL WOULD BE SUFFICIENT TO PROVIDE INSURANCE COVERAGE FOR ABOUT ONE-THIRD OF ALL SHORT-TERM EXPORT CREDITS. IN ADDITION TO WIDENING THE MATURITY RANGE FOR INSURANCE COVERAGE, THE NEW LAW WOULD EXTEND IT TO NEW TYPES OF TRANSACTIONS, SUCH AS LEASING, FOREIGN INVESTMENTS CARRIED OUT THROUGH TRANSFERS OF CAPITAL GOODS, CREDIT EXTENDED BY ITALIAN BANKS TO ITALIAN FIRMS FOR THE PURPOSE OF FINANCING EXPORTS, AND FINANCING BY FOREIGN BANKS OF ITALIAN EXPORTS TO THIRD COUNTRIES.

4. THE NEW LAW WOULD ALSO ALTER THE WAY THE SUBSIDIZING OF EXPORT CREDIT BY MEDIOCREDITO CENTRALE IS FUNDED BY THE GOVERNMENT. TO DATE, FUNDS FOR MEDIOCREDITO'S INTEREST RATE SUBSIDIZED OPERATIONS HAVE HAD TO BE APPROVED BY A SPECIAL PARLIAMENT. PARLIAMENT HAS FREQUENTLY BEEN SLOW TO ACT ON THIS MATTER.

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PAGE 03 ROME 20496 172020Z

CONSEQUENTLY, MEDIOCREDITO HAS AT TIMES ALMOST HAD TO CEASE OPERATIONS. UNDER THE NEW LAW, FUNDS FOR MEDIOCREDITO'S INTERESTS SUBSIDIZING ACTIVITIES WOULD BE INCLUDED IN THE NATIONAL BUDGET ALONG WITH THE CEILING FOR EXPORT CREDIT INSURANCE. IT IS BELIEVED THAT THIS ARRANGMENT WOULD ASSURE THAT FUNDS FOR SUBSIDIZING EXPORT CREDIT WOULD BE AVAILABLE ON A MORE TIMELY BASIS AND WOULD FACILITATE PROGRAMMING AND APPROVAL OF INSURANCE AND INTEREST RATE SUBSIDIES.

5. IN A RECENT PRESS INTERVIEW (24 ORE, DECEMBER 11), OSSOLA STATED THAT THE NEW MEASURES WOULD EXTEND OFFICIAL EXPORT CREDIT SUPPORT TO ABOUT ONE-THIRD OF TOTAL EXPORTS, COMPARED TO THE ONE-TENTH OF TOTAL EXPORT THAT THE PRESENT PROGRAM REACHES. HE ALSO EXPLAINED THAT THE PROPOSED INCREASED OFFICIAL SUPPORT OF EXPORTS WOULD NOT NECESSARILY RESULT IN HIGHER GOVERNMENT EXPENDITURES. FOR EXAMPLE, BASED ON EXPERIENCE WITH INSURANCE COVERAGE OF MEDIUM AND LONG-TERM CREDITS OVER A TWENTY-YEAR PERIOD, NET PAYMENTS TOTALLED ONLY 100 BILLION LIRE.

CONSEQUENTLY, OSSOLA DID NOT FORESEE ANY GREATER COST UNDER
THE NEW PROPOSED SYSTEM FOR SHORT-TERM INSURANCE COVERAGE,
GIVEN THE MUCH LOWER DEGREE OF RISK INVOLVED IN SHORT-
TERM OPERATIONS.BEAUDRY

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